



Arizona State Retirement System

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News Release

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ASRS Board announces pension plan contribution rates

The Arizona State Retirement System in August provided member employers with preliminary estimates for new contribution rates to take effect July 1, 2003. Since that time, the agency, its actuary, and the Board have conducted final reviews and made revisions to the estimate.

In the wake of investment losses greater than previously calculated, the Board has voted to recommend to the state Legislature a pension contribution rate of 5.20%, up from the current rate of 2.00%, and a Long Term Disability rate of 0.50%, a slight increase from the current 0.49%. That brings the contribution match rate (for employer and employee) to 5.70%. The Board decision came at its November 15 meeting. The new rates are to take effect July 1, 2003.

The Board took action in the face of a possible contribution rate of 6.11% by amending guidelines used to recognize investment loss over a 10-year period rather than the current 5-year period. The effect is to "smooth" rate adjustments while minimizing the volatility of the markets.

Using well-established actuarial criteria reflecting today's best practices for public retirement systems, the Board confidently acted to minimize contribution increases.

"We understand the revenue challenges facing the State of Arizona, Arizona schools and local governments that participate in the ASRS Retirement Plan, and that pension contribution costs are an important factor in their budget process," ASRS Board Chairman Alan Maguire said. "The Board was diligent in keeping the contribution rates as low as possible while still maintaining the integrity and stability of the system."

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Contribution rates for the ASRS are actuarially determined based on fund liabilities (benefits and member demographics), assets and investment returns. Changes in investment returns and retirement benefits can dramatically affect contribution rates.

For more than a decade, the ASRS experienced very good investment returns that allowed contribution rates to decline from the high of 7.00% experienced from fiscal 1976 through fiscal 1984, down to the current 2.00 %. Contributions for Long Term Disability have been 0.49% for the past 11 years. The result has been a significant savings for both employers and employees.

However, any time the Fund earns less than the actuarially assumed rate of return of 8%, or if retirement benefits are increased, there is upward pressure on contribution rates.

Two consecutive years of lower than expected investment returns, coupled with enhanced retirement benefits adopted by the Legislature in 2001, led to the contribution rate adjustment for fiscal 2003-04.

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The Arizona State Retirement System, a state agency, provides retirement benefits and services to more than 370,000 members from state and local government, school districts and other public entities. Each year, the ASRS pays more than \$765 million in retirement pensions to 61,000 retirees, and holds assets in trusts for future retirement benefit. As of June 2002, the ASRS Fund Balance was \$19.16 billion.

To learn more about the ASRS, visit our website at www.asrs.state.az.us